GREAT PRAIRIE AREA EDUCATION AGENCY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

GREAT PRAIRIE AREA EDUCATION AGENCY

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GREAT PRAIRIE AREA EDUCATION AGENCY

OFFICIALS

JUNE 30, 2013

Name	Title	Term Expires
	Board of Directors	
Joy Prothero	President	2015
Vicki Stephenson	Vice-President	2013
John Adam	Member	2013
Himar Hernandez	Member	2015
Lonny Morrow	Member	2013
Matt Greiner	Member	2015
Marge Wilhelm	Member	2015
Joyce Wauters	Member	2015
Melissa Ballard	Member	2013
	Agency	
Dr. Jon Sheldahl	Administrator	Annual Contract
Nancy Brown	Board Secretary	Appointed
Dennis Gourley	Chief Financial Officer and Treasurer	Appointed

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Great Prairie Area Education Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 10 and 30 through 33 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statement, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Great Prairie Education Agency's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements.

The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of Great Prairie Area Education Agency's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2014 on our consideration of Great Prairie Area Education Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Great Prairie Area Education Agency's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 4, 2014

Management's Discussion and Analysis

This section of the Great Prairie Area Education Agency's annual financial report presents its discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2013. The analysis focuses on the Agency's financial performance as a whole.

Please read it in conjunction with the Agency's financial statements, which immediately follow this section.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues and transfers in decreased from $24,573,222 in fiscal 2012 to $24,419,193 in fiscal 2013. The decrease was primarily attributable to a decrease in the Individuals with Disabilities Education Act (IDEA) funds received due to reductions in the federal appropriations.

- General fund expenditures and transfers out decreased from $25,295,651 in fiscal 2012 to $24563,769 in fiscal 2013. The decrease was due primarily to the Agency not filling some open staff positions due to continued reductions in state aid and new reductions in federal appropriations.

- The Agency's General Fund balance decreased from $3,951,156 at the end of fiscal year 2012 to $3,806,580 at the end of fiscal year 2013, a 3.7 percent decrease. The decrease in fund balance was due primarily to continued reductions in state aid and new reductions in federal appropriations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Great Prairie AEA as a whole and present an overall view of the Agency's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

REPORTING THE AGENCY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's *net position* and how they have changed. Net position – the difference between the Agency's assets and liabilities – are one way to measure the Agency's financial health or *position.*

- Over time, increases or decreases in the Agency's net position are an indicator of whether financial position is improving or deteriorating, respectively.

- To assess the Agency's overall health, you need to consider additional non-financial factors such as changes in enrollments in the local school districts that the Agency serves and the condition of the Agency's office buildings.

In the Agency-wide financial statements, the Agency's activities are divided into two categories:

- *Governmental activities*: Most of the Agency's basic services are included here, such as instructional services, media services, special education support, and administration. Property taxes, state aid and federal program grants finance most of these activities.

- *Business-type activities*: The Agency charges fees to help cover the costs of certain services it provides. The Agency's cooperative purchasing program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for the Special Education Instruction and Juvenile Home funds.

The Agency has two kinds of funds:

- Governmental funds account for most of the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund.

  The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- Proprietary funds account for services for which the Agency charges a fee. Proprietary funds are reported in the same way as the government-wide statements. The Agency's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The Agency currently has one Enterprise Fund, the Cooperative Purchasing Fund.

  The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Great Prairie Area Education Agency's net position at the end of fiscal year 2013 totaled approximately $7.3 million compared to approximately $7.4 million at the end of fiscal year 2012. The analysis that follows focuses on the net position and changes in net position.

As the table on the next page shows, the agency's combined net position decreased 1.0 percent or approximately $70,614.

SUMMARY OF NET POSITION (in thousands of dollars)	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
Total Assets	13,127.3	12,188.9	47.4	47.4	13,174.7	12,236.3	-7.1%
Total Liabilities	5,812.1	4,944.4	–	–	5,812.1	4,944.4	-14.9%
Net Position							
Net investment in Capital Assets	2,718.5	3,127.3	–	–	2,718.5	3,127.3	15.0%
Restricted	490.8	69.9	–	–	490.8	69.9	-85.8%
Unassigned	4105.9	4,047.4	47.4	47.4	4,153.3	4,094.8	--1.4%
Total Net Position	7315.2	7,244.6	47.4	47.4	7,362.6	7,292.0	-1.0%

The following analysis details the changes in net position resulting from the Agency's activities.

CHANGES IN NET POSITION FROM OPERATING RESULTS (in thousands of dollars)	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2012	2013	2012	2013	2012	2013	2011-2012
Program Revenues:							
Charges for services	1,037.9	1,127.4	11.8	0.5	1,049.7	1,127.9	7.4%
Operating Grants and Contributions	11,551.5	11,275.2	–	–	11,551.5	11,275.2	-2.4%
General Revenues:							
Property taxes	6,252.1	6,302.2	–	–	6,252.1	6,302.2	0.8%
State aid	6,403.4	6,448.2	–	–	6,403.4	6,448.2	0.7%
Total revenues	25,244.9	25,153.0	11.8	0.5	25,256.7	25,153.5	-0.4%
Expenditures:							
Current:							
Instruction	1,615.3	1,643.7	–	–	1,615.3	1,643.7	1.8%
Student support services	18,931.0	18,450.5	–	–	18,931.0	18,450.5	-2.5%
Media services	1,583.7	1,657.3	–	–	1,583.7	1,657.3	4.6%
General administration	1,090.9	1,086.1	–	–	1,090.9	1,086.1	-0.4%
Educational services	1,731.7	1,590.0	–	–	1,731.7	1,590.0	-8.1%
Plant operations and maintenance	313.8	350.0	–	–	313.8	350.0	11.5%
Central and other support services	397.7	377.5	–	–	395.7	377.5	-4.6%
Interest on long-term debt	81.6	63.2	–	–	81.6	63.2	-22.5%
Cooperative purchasing	–	–	11.8	0.5	11.8	0.5	-95.8%
Total expenditures	25,743.7	25,218.3	11.8	0.5	27,755.5	25,518.8	-2.1%
Deficiency of revenue under expenditures before special item	-498.8	-65.3	-	–	-498.8	-65.3	86.9%
Special Items:							
Loss on disposal of assets	-17.5	-5.3	–	–	-17.5	-5.3	69.7%
Decrease in net position	-516.3	-70.6	-	–	-516.3	-70.6	86.3%
Net position beginning of year	7831.5	7,315.2	47.4	47.4	7,878.9	7,362.6	-6.6%
Net positon end of year	7,315.2	7,244.6	47.4	47.4	7,362.6	7,292.0	-1.0%

Governmental Activities

Revenues for the Agency's governmental activities decreased 0.4 percent, and total expenses decreased 2.1 percent compared to the prior year. The decrease in revenues and expenditures was due primarily to continued reductions in state aid and new reductions in federal appropriations.

Revenues for governmental activities were $25,147,698 while expenses amounted to $25,218,312.

- The cost of all governmental activities this year was $25,218,312.
- The portion of the cost financed by users of the Agency's programs was $1,127,411.
- The federal and state government subsidized certain programs with grants and contributions totaling $11,275,091.
- The net cost portion of governmental activities was financed with $6,302,235 in flowthrough property tax and $6,448,239 in state foundation aid.

Business Type Activities

Revenues and expenditures of the Agency's business type activities (the Cooperative Purchasing Fund) decreased from $11,751 in fiscal year 2012 to $462 in fiscal year 2013.

INDIVIDUAL FUND ANALYSIS

As previously noted, Great Prairie AEA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the Agency as a whole is reflected in its governmental funds as well. As the Agency completed the year, its governmental funds reported combined fund balances of $3,874,122 which was a decrease from the beginning of the year's fund balances of $4,412,980.

Governmental Fund Highlights

- The Agency's General Fund financial position decreased due primarily to continued reduction in state aid and new reductions in federal appropriations.
- The General Fund balance decreased from $3,951,156 to $3,806,580 due primarily to continued reduction in state aid and new reductions in federal appropriations.

Proprietary Fund Highlights

The Co-op Fund net position remained constant from fiscal $47,425 in fiscal 2012 to $47,425 in fiscal 2013. As previously noted, the Agency operates a cooperative purchasing fund for the benefit of the school districts served by the Agency.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year. The Agency's budget is prepared on the accrual basis. Over the course of the year, the Agency amended its annual budget once to reflect adjustments to funding sources and reclassifications among expenditures. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

General Fund Budgetary Highlights

- The Agency's General Fund budget did not vary significantly from actual results. The financial statements include a comparison of budget and actual for the governmental and proprietary fund types. The variances between budget and actual for the governmental fund types were $690,696 or less than 2.7% of expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2013, the Agency had invested $4.06 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, materials lending library, computers and audio-visual equipment. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was $653,344. Total accumulated depreciation was $10,254,613 at June 30, 2013.

Excluding depreciation, the Agency has $14.31 million in capital assets. Governmental funds account for the entire $14.31 million.

Long-Term Debt

At June 30, 2013, the Agency had $1,060,273 in long-term liabilities outstanding. This represents a decrease of 41.3 percent from the beginning of the year. The decrease was primarily due to the annual principal payments on the agency's bonded indebtedness for the Burlington and Ottumwa buildings and the retirement of the bonded indebtedness on the Albia building. More detailed information about the Agency's long-term liabilities is available in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the Agency was aware of several circumstances that could significantly affect its financial health in the future:

- The state legislature maintained the $27.5 million reduction in state aid to all of the state's area education agencies in Fiscal Year 2013. Great Prairie Area Education Agency's portion of this amount is $2,232,765. This reduction in state aid was reduced to $22.5 million in Fiscal Year 2014 restoring $405,487 to Great Prairie AEA.

- Great Prairie AEA's allocation under the federal Individuals with Disabilities Education Act (IDEA) was reduced by $479,050 in Fiscal Year 2014.

- The Agency's student enrollment projections continue to reflect a decline. State aid funding and flowthrough property tax funding for the Agency is tied to enrollment.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, and investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Gourley, Chief Financial Officer, Great Prairie Area Education Agency, 2814 North Court Street, Ottumwa, Iowa 52501-1163.

EXHIBIT A

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF NET POSITION
JUNE 30, 2013

		Governmental Activities		Business Type Activities		Total
ASSETS						
Cash, cash equivalents and pooled investments	$	6,019,731	$	46,962	$	6,066,693
Receivables:						
Accounts		563,813		-		563,813
Due from other governments		1,217,344		463		1,217,807
Inventories		84,602		-		84,602
Net OPEB asset		243,148		-		243,148
Capital assets - Net of accumulated depreciation		4,060,309		-		4,060,309
TOTAL ASSETS		12,188,947		47,425		12,236,372
LIABILITIES						
Accounts payable		1,038,537		-		1,038,537
Salaries and benefits payable		2,773,262		-		2,773,262
Deferred revenue:						
Federal grants		72,296		-		72,296
Long-term liabilities:						
Portion due or payable within one year:						
Certificates of participation		188,000		-		188,000
Compensated absences		127,273		-		127,273
Portion due or payable after one year:						
Certificates of participation		745,000		-		745,000
TOTAL LIABILITIES		4,944,368		-		4,944,368
NET POSITION						
Net investment in capital assets		3,127,309		-		3,127,309
Restricted for:						
Encumbrances		2,341		-		2,341
Special education instruction		67,542		-		67,542
Unrestricted		4,047,387		47,425		4,094,812
TOTAL NET POSITION	$	7,244,579	$	47,425	$	7,292,004

See Notes to Financial Statements

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, and Contributions
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Instruction	$ 1,643,718	$ 1,127,411	$ 334,868
Student support services	18,450,519	-	10,403,137
Media services	1,657,317	-	140,697
General administration	1,086,132	-	-
Educational services	1,589,949	-	396,389
Plant operations and maintenance	349,947	-	-
Central and other support services	377,544	-	-
Interest on long-term debt	63,186	-	-
Total governmental activities	25,218,312	1,127,411	11,275,091
Business type activities:			
Non-instructional programs:			
Cooperative purchasing	462	462	-
Total	$ 25,218,774	$ 1,127,873	$ 11,275,091

GENERAL REVENUES:

Property taxes levied for general purposes

State foundation aid

Loss on disposal of capital assets

Total general revenue

Change in net position

Net position beginning of year

Net position end of year

See Notes to Financial Statements

EXHIBIT B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
$ (181,439)	$ -	$ (181,439)
(8,047,382)	-	(8,047,382)
(1,516,620)	-	(1,516,620)
(1,086,132)	-	(1,086,132)
(1,193,560)	-	(1,193,560)
(349,947)	-	(349,947)
(377,544)	-	(377,544)
(63,186)	-	(63,186)
(12,815,810)	-	(12,815,810)
-	-	-
(12,815,810)	-	(12,815,810)
6,302,235	-	6,302,235
6,448,239	-	6,448,239
(5,278)	-	(5,278)
12,745,196	-	12,745,196
(70,614)	-	(70,614)
7,315,193	47,425	7,362,618
$ 7,244,579	$ 47,425	$ 7,292,004

EXHIBIT C

GREAT PRAIRIE AREA EDUCATION AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash, cash equivalents and pooled investments	$ 6,073,187	$ 71,646	$ 6,144,833
Receivables:			
Accounts	314,857	248,956	563,813
Due from other governments	1,217,344	-	1,217,344
Inventories	84,602	-	84,602
TOTAL ASSETS	$ 7,689,990	$ 320,602	$ 8,010,592
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 1,035,796	$ 2,741	$ 1,038,537
Bank overdraft	-	125,102	125,102
Salaries and benefits payable	2,663,915	109,347	2,773,262
Compensated absences	127,273	-	127,273
Deferred revenue:			
Federal grants	56,426	15,870	72,296
TOTAL LIABILITIES	3,883,410	253,060	4,136,470
Fund balances:			
Nonspendable:			
Inventories	84,602	-	84,602
Restricted for:			
Special education instruction	-	67,542	67,542
Encumbrances	2,341	-	2,341
Assigned:			
Carpet	120,750	-	120,750
Categorical funding	158,094	-	158,094
Burlington roof	98,000	-	98,000
Alley replacement	90,000	-	90,000
Rooftop units	126,000	-	126,000
Undesignated	3,126,793	-	3,126,793
Total fund balances	3,806,580	67,542	3,874,122
TOTAL LIABILITIES AND FUND BALANCES	$ 7,689,990	$ 320,602	$ 8,010,592

See Notes to Financial Statements

EXHIBIT D

GREAT PRAIRIE AREA EDUCATION AGENCY

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2013

TOTAL GOVERNMENTAL FUND BALANCES	$	3,874,122
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is $14,314,922 and the accumulated depreciation is $10,254,613.		4,060,309
Other long-term assets are not available to pay current period expenditures and, therefore, are not recorded in the governmental funds.		243,148
Long-term liabilities, including certificates of participation are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(933,000)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	7,244,579

See Notes to Financial Statements

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources	$ 7,023,524	$ 406,122	$ 7,429,646
State sources	7,704,885	334,868	8,039,753
Federal sources	9,683,577	-	9,683,577
Total revenues	24,411,986	740,990	25,152,976
Expenditures:			
Current:			
Instruction	-	731,486	731,486
Student support services	18,210,109	-	18,210,109
Media services	1,960,733	-	1,960,733
General administration	1,079,950	-	1,079,950
Educational services	2,142,152	-	2,142,152
Plant operations and maintenance	349,472	-	349,472
Central and other support services	413,167	-	413,167
Debt service	-	804,765	804,765
Total expenditures	24,155,583	1,536,251	25,691,834
Excess (deficiency) of revenues over (under) expenditures	256,403	(795,261)	(538,858)
Other financing sources (uses):			
Transfers in	7,207	408,186	415,393
Transfers out	(408,186)	(7,207)	(415,393)
Total other financing sources (uses)	(400,979)	400,979	-
Change in fund balances	(144,576)	(394,282)	(538,858)
Fund balances beginning of year	3,951,156	461,824	4,412,980
Fund balances end of year	$ 3,806,580	$ 67,542	$ 3,874,122

See Notes to Financial Statements

GREAT PRAIRIE AREA EDUCATION AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (538,858)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expenses to allocate those expenditures over the estimated useful lives of the assets. Governmental funds report the selling price of capital assets disposed while governmental activities report gains and losses on the disposal of capital assets. Depreciation expense and loss on disposal of capital assets exceeded capital expenditures in the current year, as follows:		
Expenditures for capital assets	$ 325,873	
Depreciation expense	(653,344)	
Loss on disposal of capital assets	(5,278)	(332,749)
Repayment of long-term liabilities is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.		
Payments		741,579
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Other postemployment benefits		59,414
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (70,614)

See Notes to Financial Statements

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Non Major Business Type Fund Cooperative Purchasing
ASSETS:	
Current assets:	
Cash, cash equivalents and pooled investments	$ 46,962
Due from other governments	463
Total assets	47,425
LIABILITIES:	
Accounts payable	-
NET POSITION:	
Unrestricted	$ 47,425

See Notes to Financial Statements

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Non Major Business Type Fund Cooperative Purchasing
Operating revenues:	
Charges for service	$ 462
Operating expenses:	
Non-instructional programs:	
Purchased services	462
Operating income	-
Net position beginning of year	47,425
Net position end of year	$ 47,425

See Notes to Financial Statements

EXHIBIT I

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Non Major Business Type Fund
	Cooperative Purchasing
Cash flows from operating activities:	
Cash received from customers	$ 6,340
Cash paid to suppliers	(481)
Net cash provided by operating activities	5,859
Cash, cash equivalents and pooled investments, beginning of year	41,103
Cash, cash equivalents and pooled investments, end of year	$ 46,962
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ -
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in due from other governments	5,878
Decrease in accounts payable	(19)
Net cash provided by operating activities	$ 5,859

See Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Great Prairie Area Education Agency is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 40 school districts and private schools in a fourteen-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Great Prairie Area Education Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set fourth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. Great Prairie Area Education Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

Government-wide financial statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Agency reports the following major governmental funds:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balances and then from, less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's Enterprise Fund is charges to customers for services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents and Pooled Investments – Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories – Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Land	$ 300
Buildings	300
Improvements other than buildings	300
Intangibles	300
Furniture and equipment	300
Library books and films	300

Capital assets of the Agency are depreciated/amortized using the straight line method of depreciation/amortization over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20
Intangibles	5
Furniture and equipment	5
Library books and films	5

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August have been accrued as liabilities.

Deferred Revenue – Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Position representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Fund Balances – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Directors intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The Agency's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Agency had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of $5,858 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 347,760	$ -	$ -	$ 347,760
Capital assets being depreciated/amortized:				
Buildings	2,836,169	-	-	2,836,169
Improvements other than buildings	2,725,997	-	-	2,725,997
Furniture and equipment	6,018,999	260,994	(324,098)	5,955,895
Library books and films	2,890,366	64,879	(506,144)	2,449,101
Total capital assets being depreciated/amortized	14,471,531	325,873	(830,242)	13,967,162
Less accumulated depreciation/ amortization for:				
Buildings	870,570	56,723	-	927,293
Improvements other than buildings	1,611,125	136,300	-	1,747,425
Furniture and equipment	5,388,526	301,127	(318,820)	5,370,833
Library books and films	2,556,012	159,194	(506,144)	2,209,062
Total accumulated depreciation/ amortization	10,426,233	653,344	(824,964)	10,254,613
Total capital assets being depreciated/ amortized, net	4,045,298	(327,471)	(5,278)	3,712,549
Governmental activities capital assets, net	$ 4,393,058	$ (327,471)	$ (5,278)	$ 4,060,309

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Student support services	$ 374,327
Media services and instruction	198,711
General administration	21,765
Educational services	43,172
Plant operations and maintenance	7,043
Central and other support services	8,326
Total depreciation/amortization expense - Governmental activities	$ 653,344

NOTE 4: CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

		Balance Beginning of Year		Additions		Reductions		Balance End Of Year		Due Within One Year
Certificates of participation	$	1,674,579	$	-	$	741,579	$	933,000	$	188,000
Compensated absences		131,684		127,273		131,684		127,273		127,273
Total	$	1,806,263	$	127,273	$	873,263	$	1,060,273	$	315,273

Certificates of Participation

The Agency sold certificates of participation for land and facilities for a total of $5,650,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificate matures over a period of 10 years with an interest rate of 4.08%. The following is a schedule by year of the future minimum payments required:

Year Ending June 30,		Principal		Interest		Total
2014	$	188,000	$	37,415	$	225,415
2015		170,000		30,396		200,396
2016		180,000		23,460		203,460
2017		195,000		16,116		211,116
Thereafter		200,000		8,160		208,160
Total	$	933,000	$	115,547	$	1,048,547

Payments on the certificates of participation for the year ended June 30, 2013, including interest, totaled $394,204.

NOTE 5: PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Agency is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were $1,276,655, $1,224,310 and $1,100,630, respectively, equal to the required contributions for each year.

NOTE 6: RISK MANAGEMENT

Great Prairie Area Education Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7: MAJOR REVENUE SOURCE

The Agency receives the majority of its funding from grants with the State of Iowa and the Federal government. The majority of the Agency's funding is accomplished through a reimbursement system. The Agency incurs the expense, pays for the expense, submits a reimbursement voucher to the appropriate agency and is reimbursed for the expense.

NOTE 8: OPERATING LEASES

The Agency has leased various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases have various expiration dates. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013.

Year Ending June 30,		
2014	$	82,433
2015		26,904
2016		26,904
Total	$	136,241

The total rental expenditures for the year ended June 30, 2013, for all operating leases, except those with terms of a month or less that were not renewed, were $76,459.

NOTE 9: LITIGATION

The Agency is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Agency's results of operations. The Agency's insurance policy covers most of these items.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The Agency operates a single-employer health benefit plan which provides medical benefits for employees retirees and, if elected, their spouses. There are 119 active and 38 retired members in the plan.

The medical coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation (asset):

Annual required contribution	$	138,972
Interest on net OPEB obligation		(1,837)
Adjustment to annual required contribution		7,084
Annual OPEB cost		144,219
Contributions made		(203,633)
Decrease in net OPEB cost		(59,414)
Net OPEB asset beginning of year		(183,734)
Net OPEB asset end of year	$	(243,148)

For calculation of the net OPEB asset, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, plan members eligible for benefits contributed $203,633 or 100% of the premium costs.

Agency's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB asset are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2011	$ 109,034	142.0%	$ (131,302)
2012	$ 112,887	146.5%	$ (183,734)
2013	$ 144,219	141.2%	$ (243,148)

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $2,004,843 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2,004,843. The covered payroll (annual payroll of active employees covered by the plan) was $15,650,768 and the ratio of the UAAL to covered payroll was 12.81%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 1% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 3%. The medical trend rate is reduced 1 % each year until reaching the 3% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are developed by the Society of Actuaries. Annual retirement and termination probabilities were developed from the retirement probabilities from recent Great Prairie AEA School District experience and applying the termination factors based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are $1,035 per month. The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level dollar amount over a maximum of 30 years.

NOTE 11: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to:	Transfer from:		
	Special Revenue Funds:		
General	Special Education Instruction	$	7,207
Debt Service	General		408,186
		$	415,393

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 12: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2012 have been classified to conform to June 30, 2013 presentation.

NOTE 13: EVALUATION OF SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through February 4, 2014, the date which the financial statements were available to be issued.

OTHER INFORMATION

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES
IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	$ 7,429,646	$ 462	$ 7,430,108
State sources	8,039,753	-	8,039,753
Federal sources	9,683,577	-	9,683,577
Total revenues	25,152,976	462	25,153,438
Expenditures/Expenses:			
Current:			
Instruction	731,486	-	731,486
Student support services	18,210,109	-	18,210,109
Media services	1,960,733	-	1,960,733
General administration	1,079,950	-	1,079,950
Educational services	2,142,152	-	2,142,152
Plant operations and maintenance	349,472	-	349,472
Central and other support services	413,167	-	413,167
Non instructional programs	-	462	462
Debt service	804,765	-	804,765
Total expenditures/expenses	25,691,834	462	25,692,296
Excess (deficiency) of revenues over (under) expenditures/ expenses	(538,858)	-	(538,858)
Balance beginning of year	4,412,980	47,425	4,460,405
Balance end of year	$ 3,874,122	$ 47,425	$ 3,921,547

See Accompanying Independent Auditor's Report

Budget Original	Budget Final	Final to Actual Variance
$ 7,840,763	$ 7,303,723	$ 126,385
8,813,604	7,950,171	89,582
10,149,348	10,095,466	(411,889)
26,803,715	25,349,360	(195,922)
712,962	763,829	32,343
19,711,237	18,837,346	627,237
1,724,323	1,795,689	(165,044)
1,160,064	1,111,487	31,537
2,409,259	2,270,171	128,019
389,606	376,389	26,917
415,313	421,106	7,939
500,000	20,000	19,538
814,599	806,513	1,748
27,837,363	26,402,530	710,234
(1,033,648)	(1,053,170)	514,312
4,447,847	4,460,404	1
$ 3,414,199	$ 3,407,234	$ 514,313

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2013, the Agency's expenditures/expenses did not exceed the approved budget.

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF FUNDING PROGESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	$ -	$ 1,540,114	$ 1,540,114	0.00%	$ 10,369,470	14.85%
2010	July 1, 2008	$ -	$ 1,540,114	$ 1,540,114	0.00%	$ 16,530,866	9.32%
2011	July 1, 2010	$ -	$ 1,353,485	$ 1,353,485	0.00%	$ 16,806,809	8.05%
2012	July 1, 2010	$ -	$ 1,353,485	$ 1,353,485	0.00%	$ 15,071,398	8.98%
2013	July 1, 2012	$ -	$ 2,004,843	$ 2,004,843	0.00%	$ 15,650,768	12.81%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Asset, funded status and funding progress.

<u>SUPPLEMENTARY INFORMATION</u>

SCHEDULE 1

GREAT PRAIRIE AREA EDUCATION AGENCY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue		
	Special Education Instruction	Juvenile Home Education	Total
ASSETS			
Cash, cash equivalents and pooled investments	$ -	$ 71,646	$ 71,646
Accounts receivable	248,120	836	248,956
TOTAL ASSETS	$ 248,120	$ 72,482	$ 320,602
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 614	$ 2,127	$ 2,741
Bank overdraft	125,102	-	125,102
Salaries and benefits payable	54,862	54,485	109,347
Deferred revenue:			
Federal grants	-	15,870	15,870
Total liabilities	180,578	72,482	253,060
Fund balances:			
Restricted for:			
Other purposes	67,542	-	67,542
TOTAL LIABILITIES AND FUND BALANCES	$ 248,120	$ 72,482	$ 320,602

See Accompanying Independent Auditor's Report

GREAT PRAIRIE AREA EDUCATION AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2013

	Special Revenue			
	Special Education Instruction	Juvenile Home Education	Debt Service	Total
Revenues:				
Local sources	$ 406,122	$ -	$ -	$ 406,122
State sources	28,508	306,360	-	334,868
Total revenues	434,630	306,360	-	740,990
Expenditures:				
Current:				
Instruction	425,126	306,360	-	731,486
Debt service	-	-	804,765	804,765
Facilities acquisition	-	-	-	-
Total expenditures	425,126	306,360	804,765	1,536,251
Excess (deficiency) of revenues over (under) expenditures	9,504	-	(804,765)	(795,261)
Other financing sources (uses):				
Transfers in	-	-	408,186	408,186
Transfers out	(7,207)	-	-	(7,207)
Total other financing sources (uses)	(7,207)	-	408,186	400,979
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,297	-	(396,579)	(394,282)
Fund balances beginning of year	65,245	-	396,579	461,824
Fund balances end of year	$ 67,542	$ -	$ -	$ 67,542

See Accompanying Independent Auditor's Report

SCHEDULE 3

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Modified Accrual Basis Year Ended June 30,					
	2013	2012	2011	2010	2009	2008
Revenues:						
Local sources	$ 7,429,646	$ 7,290,029	$ 7,133,840	$ 7,131,224	$ 7,066,266	$ 7,215,058
State sources	8,039,753	7,907,237	9,659,084	8,706,614	9,540,916	8,848,117
Federal sources	9,683,577	10,047,680	11,743,897	17,052,704	10,961,195	9,959,860
Total	$ 25,152,976	$ 25,244,946	$ 28,536,821	$ 32,890,542	$ 27,568,377	$ 26,023,035
Expenditures:						
Current:						
Instruction	$ 731,486	$ 671,726	$ 761,559	$ 659,681	$ 658,425	$ 714,252
Student support services	18,132,919	18,744,872	19,911,931	24,135,151	20,431,684	18,738,308
Media services	2,092,963	1,824,622	1,830,424	1,850,802	1,887,759	1,839,742
General administration	1,079,950	1,047,223	1,102,982	1,012,589	1,041,633	1,077,202
Educational services	2,087,109	2,363,753	3,147,885	3,279,222	2,565,832	2,356,146
Plant operations and maintenance	349,472	308,286	333,459	316,868	330,574	339,082
Central and other support services	413,167	409,765	397,659	346,287	390,100	368,189
Debt service	804,765	515,034	539,237	383,660	372,108	607,189
Facilities acquisition	-	185,517	515,705	-	-	-
Total	$ 25,691,831	$ 26,070,798	$ 28,540,841	$ 31,984,260	$ 27,678,115	$ 26,040,110

See Accompanying Independent Auditor's Report

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Project Title	CFDA Number	Pass-through Grantor's Number		Expenditures
Indirect:				
U.S. Department of Education:				
Iowa Department of Education:				
Handicapped Preschool Program	84.027	121315	$	6,707,855
Handicapped Preschool Program (Lea Flowthrough)	84.027	3KB2-15		1,979,255
Parent Educator	84.027	2K74-15		110,070
LETRS Training	84.027	413		28,100
Transition Grant	84.027	43713		9,500
				8,834,780
Section 619 Ages 3-5	84.173	12619-15		294,589
IQPPS Verifier Training	84.173	15213		1,600
IQPPS Verification	84.173	20013		7,000
Gold Assessment Addendum	84.173	--		20,380
				9,158,349
Part C Infants and Toddlers	84.181	C12-15		238,583
Eisenhower Math/Science Block Grant	84.281A	--		30,502
E2T2	84.318	G20724		21,119
Safe and Supportive Schools	84.184Y	4613		104,040
Title III ELL/LEP	84.365	13ELA-09		72,717
Math & Science Title IIB	84.366B	103570		30,924
Total			$	9,656,234

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Great Prairie Area Education Agency and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Great Prairie Area Education Agency

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated February 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Great Prairie Area Education Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Great Prairie Area Education Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Great Prairie Area Education Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. We found no deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 13-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Prairie Area Education Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Great Prairie Area Education Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Great Prairie Area Education Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Great Prairie Area Education Agency's Responses to Findings

Great Prairie Area Education Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Great Prairie Area Education Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Great Prairie Area Education Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 4, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Great Prairie Area Education Agency

Report on Compliance for Each Major Federal Program

We have audited Great Prairie Area Education Agency's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Great Prairie Area Education Agency's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Great Prairie Area Education Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Great Prairie Area Education Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Great Prairie Area Education Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, Great Prairie Area Education Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Great Prairie Area Education Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Great Prairie Area Education Agency's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in an Agency's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We found no deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Great Prairie Area Education Agency's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Great Prairie Area Education Agency's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 4, 2014

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results:

a. Unmodified opinions were issued on the financial statements.

b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.

c. The audit did not disclose any non-compliance which is material to the financial statements.

d. No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.

e. An unmodified opinion was issued on compliance with requirements applicable to each major program.

f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

g. Major programs were as follows:

- CFDA Number 84.027 – Special Education – Grants to States
- CFDA Number 84.173 – Special Education – Preschool Grants

h. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i. Great Prairie Area Education Agency qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

13-II-A Payroll Disbursements – Certain Agency employees are paid twice monthly, on the 10th and the 25th. These Agency employees are paid for days they have not yet worked. Payments for time not yet worked could lead to a loss by the Agency and is not good business practice.

Recommendation – The Agency should examine their policies in this area and consider changing this policy.

Response – The Agency has implemented a plan to phase out the twice monthly payrolls and convert those Agency employees to the once monthly payroll cycle. This will be completed by August 2013.

Conclusion – Response accepted.

Instances of Non-compliance – No matters were noted.

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-compliance – No matters were noted.

Internal Control Deficiencies – No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

13-IV-A Certified Budget – Expenditures during the year ended June 30, 2013 did not exceed the amounts budgeted.

13-IV-B Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

13-IV-C Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.

13-IV-D Business Transactions – No business transactions between Great Prairie Area Education Agency and Agency officials or employees were noted.

13-IV-E Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

13-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

13-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.

13-IV-H Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

13-IV-I Categorical Funding – No instances of categorical funding used to supplant rather than supplement other funds were noted.